



County of Los Angeles

CHIEF ADMINISTRATIVE OFFICE

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Board of Supervisors
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First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

March 20, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE REPORT

State Budget Update

Realignment

Starting today, the Administration has convened three "Initial Realignment Working Groups" to discuss "candidate programs" for realignment with the focus on those that make policy sense and will achieve State General Fund savings in the budget year. The Working Groups, which will be chaired by the Department of Finance, will initially include relevant State department staff, Legislative Analyst and legislative staff, and representatives from counties – CSAC and its affiliates such as the Welfare Directors Association and the Mental Health Association. The working groups may be expanded in the future to include other interested parties but they are not expected to function for more than two to three weeks. Attachment I describes the process that will be followed, as well as the programs to be considered.

While the Governor proposed \$8.1 billion in programs and the Legislative Analyst's list totaled \$9.0 billion, the list provided to the "Working Groups" totals approximately \$4.1 billion. Missing are three of the Governor's larger recommendations – Child Care (\$968 M), Medi-Cal Benefits (\$1.6 B) and Medi-Cal long term-care (\$1.4 B), as well as IHSS, Programs for Immigrants, and Public Health. We understand, however, that the Administration may want to bring up the Medi-Cal programs at a later time.

Based on Administration comments at the CSAC Legislative Conference yesterday, they are flexible about both the programs to be realigned as well as the revenues to finance realignment. They also indicated that the Governor feels very strongly about maintaining the programs that he proposed in his realignment package so that if the package of programs or revenues finally agreed upon falls short of \$8.1 billion and/or does not include all of his recommended programs, he would propose offsetting cuts elsewhere in the budget to maintain these programs.

In short, the Administration's realignment proposal is fundamentally about maintaining these programs, preferably by raising \$8 billion in tax revenue. They are open to any set of tax measures that can secure a two-thirds vote in the Legislature, which they admit will be difficult but not impossible. Some or all of the taxes eventually proposed may reflect ideas that come out of the larger discussion about reforming State finances that the Governor said must be part of the adopted budget. Steve Peace, the Director of Finance, indicated that he has been traveling around the state to meet with local officials, representatives of business and labor, and other key interest groups to try and persuade them that a budget solution requires tax increases as well as budget cuts, and that the tax increases must improve the State-local fiscal system, including addressing the current incentive for local governments to choose retail development over housing in their land use decisions. He also suggested that the final package would probably include items sought by the business community and Republican legislators such as workers compensation reform and spending limits. Moreover, some parts are likely to require voter approval in the March 2004 primary election. While he expressed some optimism based on the fact that the State's fiscal problems are so big and so serious that they must be dealt with, he also indicated that the desired consensus has yet to emerge. One future event that they seem to be counting on to facilitate a consensus will be the terms they expect the financial community and rating agencies to impose on the State as a condition of providing a short-term loan of \$8 billion or more this spring.

In a related development, during a presentation on Proposition 98, a spokesperson for the School Boards Association said that the education community would prefer to see a suspension of the Proposition 98 minimum guarantee for schools in the budget year rather than the establishment of a realignment II program off budget, as proposed by the Governor. Despite the Legislative Counsel opinion of a few weeks ago that any new tax revenues would have to be shared with schools, the spokesperson seemed to accept the fact the Governor's proposal to by-pass schools by giving the proceeds to counties is viable and something they would rather not see happen because it would mean that the proceeds of whatever taxes are agreed to would be permanently outside the General Fund and never shared with schools. But if Proposition 98 were suspended for one or more years, in order to allow these new revenues to bail out the General

Fund until better times, they would be willing to negotiate about how soon they would receive their share.

Impact of Governor's Budget on the County

Attachment II is an updated and slightly modified table showing the estimated loss to the County from the Governor's proposed budget reductions. In adopting its current year budget reductions, the Legislature rejected all of those items in the first column that would have impacted the County.

Assembly Budget Schedule for the Week of March 24th

Assembly Speaker Herb Wesson has cancelled policy committee hearings for the week of March 24, 2003 to focus on State budget matters. Assembly Budget Subcommittees will jointly meet with affected policy committees on a variety of budget issues. The following is a list of those joint hearings:

Monday, March 24, 2003

The Assembly Budget Subcommittee No. 1 on Health and Human Services and the Assembly Health Committee will meet at 4 p.m. to discuss budget issues relating to public health.

The Assembly Budget Subcommittee No. 5 on Transportation and the Assembly Transportation Committee will convene upon adjournment of session to discuss the Governor's Traffic Congestion Relief Program.

Tuesday, March 25, 2003

The Assembly Budget Subcommittee No. 2 on Education Finance and the Assembly Education Committee will meet at 9:30 a.m. to discuss the building blocks of the K-12 budget, and will meet again at 1:30 p.m. with the Assembly Higher Education Committee to discuss higher education issues.

The Assembly Budget Subcommittee No. 1 on Health and Human Services and the Assembly Health Committee will convene at 1:30 p.m. to discuss Medi-Cal provider rates and Medi-Cal optional benefits.

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Wednesday, March 26, 2003

The Assembly Budget Subcommittee No. 1 on Health and Human Services and the Assembly Human Services Committee will meet at 1:30 p.m. to discuss CalWORKs, SSI/SSP and child support issues.

Thursday, March 27, 2003

The Assembly Budget Subcommittee No. 1 on Health and Human Services and the Assembly Aging and Long-Term Care and Human Services Committees will meet at 9:30 a.m. to discuss opportunities to achieve better outcomes for consumers in long-term care.

The Assembly Budget Subcommittee No. 3 on Resources, and the Assembly Committees on Environmental Safety and Toxic Materials, Natural Resources and Water, Parks and Wildlife will convene upon call of the Chair to discuss funding natural resources and environmental protection programs.

The Assembly Budget Subcommittee No. 4 on State Administration and the Assembly Public Safety Committee will meet at 11 a.m. to discuss issues relating to the California Department of Corrections and the California Youth Authority.

Senate Budget Overview Hearing

The Senate Budget and Fiscal Review Committee will meet on Wednesday, March 26, 2003 to discuss the Governor's Proposed Budget and the Senate Republican Alternative.

Senate Hearing on Alcohol Fee Bills

The Senate Health and Human Services Committee will hear **County-supported Senate Bills 108 and 5X1 (Romero)** on Wednesday, March 26, 2003. Those bills would enact the Alcohol-Related Emergency Services Reimbursement Act of 2003, which would impose a nickel-a-drink fee on certain alcoholic beverages sold on premises. Funds would be allocated to local emergency medical service providers, including emergency rooms, trauma centers, and medical professionals. Supervisor Gloria Molina will testify in support of the measures.

Pursuit of County Position on Legislation

AB 231(Steinberg), as introduced, would: 1) exempt one vehicle as a resource for CalWORKs and Food Stamps; 2) repeal the requirement of statewide fingerprint imaging to determine eligibility for CalWORKs and Food Stamps; 3) require each county welfare department to provide transitional food stamp benefits for a period of five months to households terminated from the CalWORKs program; and 4) place in statute the existing regulation requiring county welfare departments to waive the face-to-face interview for hardship determinations for purposes of Food Stamp eligibility and permit the person to use an alternative interview method.

DPSS indicates that the current process of evaluating the value of the vehicle for determining eligibility for CalWORKs and/or Food Stamps requires a complex calculation that is administratively burdensome and error prone, and that exempting the value of one vehicle would assist CalWORKs participants in securing and retaining employment by allowing them to keep one dependable car. Support for this provision in AB 231 is consistent with existing policy to “support legislation to exempt the full value of one vehicle per household and/or a greater portion of a vehicle’s value from the CalWORKs and Food Stamp vehicle asset limit to ensure that clients have dependable transportation”. DPSS indicates that the vehicle exemption provided by AB 231 could be incorporated into LEADER through their regular modifications and enhancements

Current law provides that all adult household members must be fingerprinted as a condition of eligibility and that failure to comply with this requirement makes the household ineligible for CalWORKs and Food Stamps. DPSS indicates that AB 231’s elimination of the use of the Statewide Fingerprint Imaging System (SFIS) for determining eligibility would weaken the system and leave it open to multiple-case fraud. Further, it would require a major modification of their LEADER. On January 21, 2003, the Board of Supervisors unanimously approved a motion to send a five-signature letter to the Governor opposing the elimination of SFIS. Therefore, opposition to this provision in AB 231 is consistent with existing policy.

DPSS states that the provision in AB 231 that requires counties to provide transitional food stamps benefits for timed out CalWORKs participants would not create additional workload for the staff since the amount of food stamps received would not change. In addition, this provision could help DPSS reduce its Food Stamp Error Rate since eligibility staff would not have to complete additional computations for the transitional eligibility period. However, the Department indicates that this provision would be a major change for LEADER that would require a contract amendment with Unisys.

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In addition, DPSS indicates that the provision in AB 231 to codify the existing regulation regarding the waiver of the face-to-face interview for hardship conditions for determining Food Stamp eligibility would not create a caseload or workload impact.

Despite the otherwise supportable provisions of AB 231, DPSS recommends that the County oppose AB 231, unless amended to delete the provision eliminating the use of SFIS, and we concur. An oppose, unless amended, position is consistent with existing policy to retain the SFIS. **Therefore, our Sacramento advocates will oppose AB 231 unless amended to remove the provision ending the use of SFIS.** AB 231 is currently in the Assembly Human Services Committee awaiting a hearing date.

We will continue to keep you advised.

DEJ:GK
MAL:JR:ib

Attachments

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants